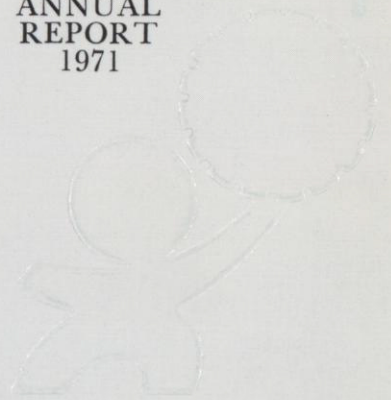


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CORPORATION FILE

THE
BETHLEHEM
CORPORATION
ANNUAL
REPORT
1971





View of the main operating room in the largest hyperbaric medical facility in Europe, at Graz, Austria. This complex was designed and engineered by Bethlehem, and can accommodate up to thirty patients under elevated oxygen pressure.

THE
BETHLEHEM
CORPORATION
ANNUAL
REPORT
1971



FIVE YEAR FINANCIAL SUMMARY*

	1971	1970	1969	1968	1967
Net sales	\$12,875,056	\$13,808,394	\$10,379,786	\$7,798,963	\$6,622,537
Profit from continuing operations before taxes	381,043	1,075,100	900,786	1,166,114	1,067,565
% to net billings	3.0%	7.8%	8.7%	15.0%	16.1%
Profit from continuing operations	192,043	500,600	385,786	545,114	540,565
% to net billings	1.5%	3.6%	3.7%	7.0%	8.2%
Earnings (loss) from discontinued operations (b) ..	(28,563)	(30,683)	3,691	(6,010)	48,172
Net earnings	163,480	469,917	389,477	539,104	588,737
% to net billings	1.3%	3.4%	3.8%	6.9%	8.9%
Earnings per share (a)	.18	.53	.44	.61	.66
Dividends per share (a)	0	10% stock	.124+10% stock	.248	.248
Long-term debt	2,320,364	2,681,104	2,726,143	0	0
Stockholders' Equity	5,254,208	5,090,728	4,624,778	4,348,446	4,030,000
Average number of shares outstanding (a)	887,781	887,781	887,781	887,781	887,781

(a) After giving effect to 10% stock dividends in 1969 and 1970.

(b) Net of extraordinary gain of \$15,609 in 1971.

*Restated to give effect to the sale of the Modern Collet and Machine Division.

To Our Shareholders:

The generally soft economic condition in the United States in 1971 was responsible in large part for the downturn in your Company's sales and earnings last year. In the first part of 1971, new orders declined resulting in reduced shipments. In the latter half of the year, there was a substantial improvement in new orders bringing our year-end backlog to near record levels.

Two specific areas were directly responsible for the fall off in our business in 1971. The decline in the steel industry affected our Mill Machinery Division which engineers and constructs equipment for the steel and allied industries. In addition, shipments of turbine components were delayed because of significant design modifications on some new model gas turbines. These two areas comprise an important part of our Company's business, consequently, our sales and earnings were adversely affected.

The steel industry is now showing signs of returning to a more normal equipment buying pattern. Capital expenditures are stepping up, and we expect to benefit from renewed strength in this sector. The demand for both gas and steam turbine components continues strong; and now that certain manufacturing techniques have been resolved, we should see a resumption of shipments to a more satisfactory level in 1972.

You will be pleased to know that Bethlehem has originated new business in several promising areas, notably components for nuclear power plants and fossil fuel plants, large pump casings, and test equipment for steam power generation. Along with these, in our continuing lines such as chemical process equipment, we are producing a new mixing device. In medical products — a

humidivent used in conjunction with the Ventimask and a new flowmeter for oxygen administration, add to our line of inhalation therapy equipment.

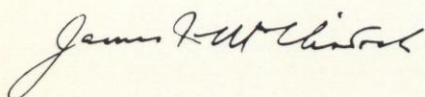
For many years your Company has been producing equipment to meet the needs of the medical profession on major research and development programs employing high pressure oxygen therapy equipment. One of the more recent applications of hyperbaric therapy appears to be in the treatment of senility. We are taking the opportunity of enclosing with this report a copy of a recent newspaper article on this development of hyperbaric therapy. (The illustration in the article shows a chamber supplied by Bethlehem).

Late in 1971 our Modern Collet Division was sold. It was incompatible with our primary business at Bethlehem and did not contribute to profits. Also, economic factors, plus the need to meet new anti-pollution regulations dictated the decision to consolidate the Bethlehem foundry with the Easton foundry.

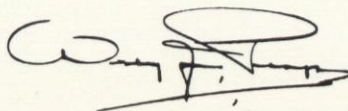
At this time, we are concentrating our efforts on cost cutting and increasing efficiency. Although the first quarter will not reflect these improvements, we do look forward to a better business climate in the balance of the year.

On behalf of the Board of Directors, we wish to express sincere appreciation to our loyal and dedicated employees, our many customers, business associates and shareholders, who have been such an important part of the progress of the Bethlehem Corporation.

This report is prepared and submitted to the stockholders of The Bethlehem Corporation by order of the Board of Directors.



James I. McClintock
Chairman



Wesley J. Peoples
*Co-Chairman
President*

March 30, 1972



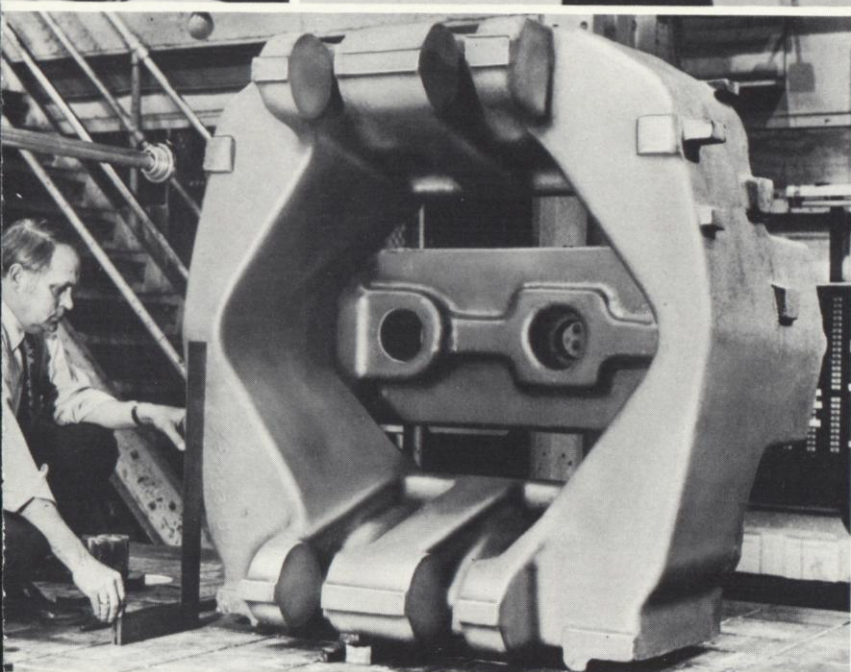
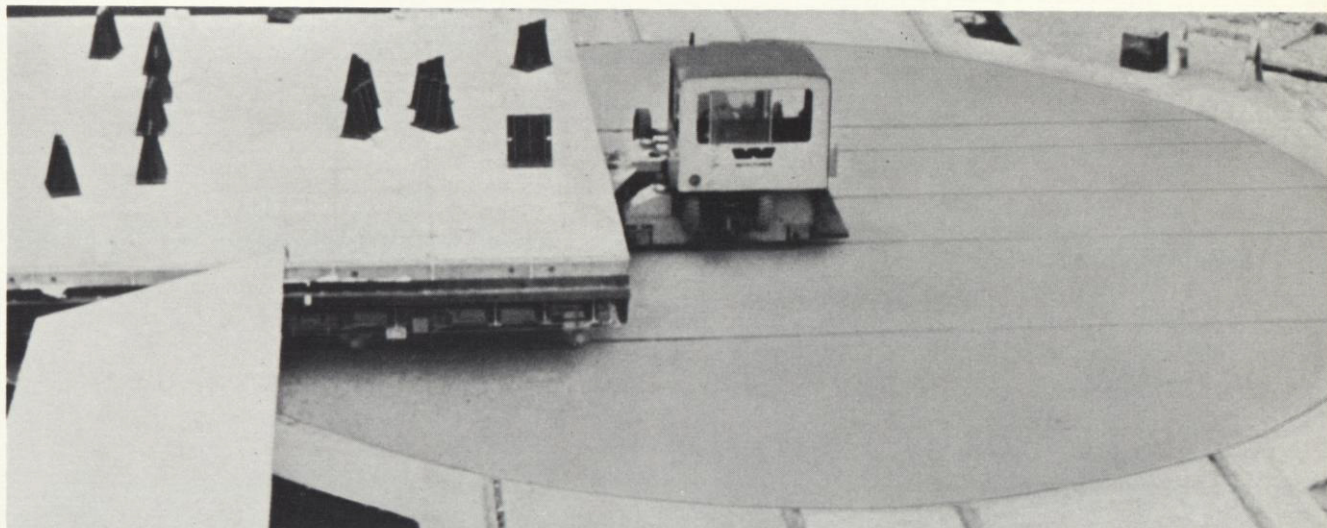
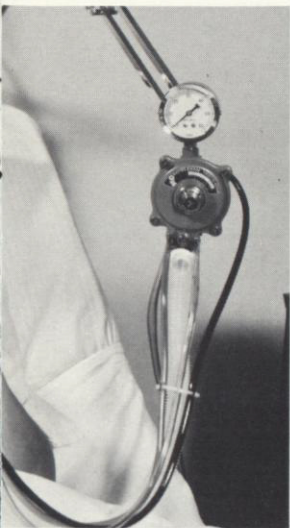
BETHLEHEM 300-TON CAPACITY MOTORIZED TURNTABLE

A newly developed induced positive pressure breathing device, used for treatment of patients with pulmonary and respiratory diseases.

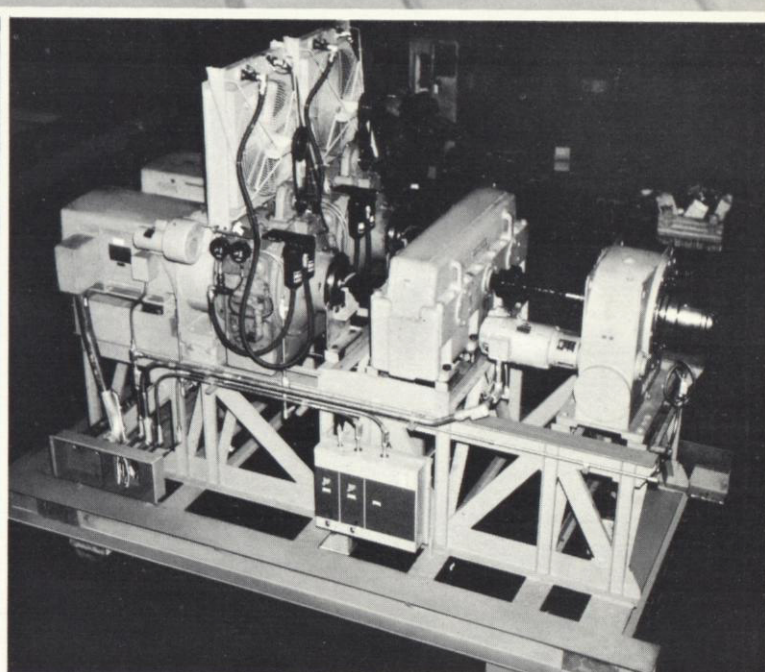
This services one of the largest heat treating facilities in the world. The turntable rotates a load of weldments or castings that totals 300 tons including the furnace car.

The turntable is electrically driven and controlled from a remote location and has limit switches to automatically stop it at the two transfer positions.

The turntable has a 45' diameter and is specially designed with low profile to keep foundation depth to a minimum.



9800 pound Carbon Steel Link Cylinder Plate for plastic injection molding machine poured in our Easton Steel Foundry.



STARTING PACKAGE FOR 58 KW GAS TURBINE

Unit consists of TWO (2)—600 HP electric motors driving thru two torque converters and turning gear. This is coupled to turbine generator to start the gas turbine.

This unit is completely fabricated, piped and wired as shown and then housed in a sound proof enclosure which although not shown is also supplied by Bethlehem.

BALANCE SHEETS

December 31, 1971 and 1970

	1971	1970
ASSETS		
CURRENT ASSETS:		
Cash	\$ 716,933	\$ 858,761
Accounts receivable, less allowance for doubtful accounts of \$35,500 in 1971 and \$10,500 in 1970	2,636,088	2,792,593
Inventories at lower of cost (first-in, first-out method) or market		
Raw materials, parts and supplies	1,013,657	1,140,639
Work in process and finished products	2,246,586	2,337,180
	<u>3,260,243</u>	<u>3,477,819</u>
Refundable taxes on income, net	206,552	—
Prepaid expenses	95,636	92,473
Total current assets	<u>6,915,452</u>	<u>7,221,646</u>
PROPERTY, PLANT AND EQUIPMENT —		
AT COST, PARTIALLY PLEDGED (Notes A, B and F):		
Land	570,895	570,895
Buildings and leasehold improvements	1,034,243	1,096,072
Machinery and equipment	4,650,050	4,635,250
Leased equipment	470,000	470,000
	<u>6,725,188</u>	<u>6,772,217</u>
Less accumulated depreciation and amortization	2,600,242	2,426,043
	<u>4,124,946</u>	<u>4,346,174</u>
DEFERRED EXPENSES AND OTHER ASSETS	<u>78,897</u>	<u>73,367</u>
	<u><u>\$11,119,295</u></u>	<u><u>\$11,641,187</u></u>

The accompanying notes are an integral part of these statements.

	1971	1970
LIABILITIES		
CURRENT LIABILITIES:		
Notes payable to banks—unsecured	\$ 1,100,000	\$ 1,175,000
Notes payable—other	—	163,500
Current maturities of long-term debt	427,405	380,398
Accounts payable	1,391,585	1,385,464
Salaries and wages, commissions, taxes and sundry accruals	495,405	557,584
Federal and state taxes on income	—	109,377
Total current liabilities	<u>3,414,395</u>	<u>3,771,323</u>
LONG TERM DEBT—NET (Note B)	2,320,364	2,681,104
DEFERRED INCOME TAXES (Note A)	130,328	98,032
COMMITMENTS AND CONTINGENCIES (Notes C, D and F)		
STOCKHOLDERS' EQUITY (Notes D and E)		
Common stock—authorized, 2,000,000 shares without par value, stated value of \$.50 per share; issued, 892,016 shares	446,008	446,008
Additional paid-in capital	1,913,232	1,913,232
Retained earnings	2,905,843	2,742,363
	<u>5,265,083</u>	<u>5,101,603</u>
Less 4,235 shares of common stock reacquired and held in treasury—at cost	10,875	10,875
	<u>5,254,208</u>	<u>5,090,728</u>
	<u><u>\$11,119,295</u></u>	<u><u>\$11,641,187</u></u>

STATEMENTS OF EARNINGS

Year ended December 31

	1971	1970(a)
Net sales	\$12,875,056	\$13,808,394
Cost of goods sold	10,639,837	10,707,707
Gross profit	2,235,219	3,100,687
Selling and administrative expenses		
Selling expenses	724,855	680,966
Administrative expenses	848,040	1,039,892
	1,572,895	1,720,858
Operating profit	662,324	1,379,829
Other income	10,396	23,346
	672,720	1,403,175
Other deductions—principally interest	291,677	328,075
Earnings from continuing operations before income taxes and extraordinary item	381,043	1,075,100
Income taxes before reductions arising from losses from discontinued operations and extraordinary item		
State income taxes	35,000	106,500
Federal income taxes	154,000	468,000
	189,000	574,500
Earnings from continuing operations before extraordinary item	192,043	500,600
Losses from discontinued operations, net of related income taxes of \$40,500 and \$29,000 in 1971 and 1970, respectively (Note F)	(44,172)	(30,683)
Earnings before extraordinary item	147,871	469,917
Extraordinary item		
Gain on sale of assets of discontinued operation, net of related income taxes of \$21,500 (Note F)	15,609	—
NET EARNINGS	\$ 163,480	\$ 469,917
Earnings per common share (Note E)		
Continuing operations	\$.21	\$.56
Discontinued operations	(.05)	(.03)
Extraordinary item	.02	—
Earnings per share of common stock	\$.18	\$.53

(a) Restated for comparative purposes (Note F).

STATEMENTS OF RETAINED EARNINGS AND ADDITIONAL PAID-IN CAPITAL

Year ended December 31

	1971	1970
RETAINED EARNINGS		
Retained earnings—beginning of year	\$2,742,363	\$2,840,452
Net earnings for the year	163,480	469,917
	2,905,843	3,310,369
Dividends declared		
Common stock—80,577 shares at fair market value of \$7.00 per share plus \$3,968 cash in lieu of fractional shares in 1970	—	568,006
Retained earnings—end of year	\$2,905,843	\$2,742,363
ADDITIONAL PAID-IN CAPITAL		
Additional paid-in capital—beginning of year	\$1,913,232	\$1,389,481
Excess of fair market value over stated value of \$.50 per share of shares issued as a 10% stock dividend	—	523,751
Additional paid-in capital—end of year	\$1,913,232	\$1,913,232

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

Year ended December 31

	1971	1970(a)
Sources of working capital		
From operations		
Earnings from continuing operations	\$ 192,043	\$ 500,600
Charges against earnings from continuing operations which did not require an expenditure of working capital		
Depreciation and amortization (Note A)	386,541	343,841
Deferred income taxes (Note A)	32,296	44,164
Sources from continuing operations	610,880	888,605
Losses from discontinued operations (Note F)	(44,172)	(30,683)
Charges against discontinued operations which did not require an expenditure of working capital		
Depreciation and amortization	41,676	42,239
	(2,496)	11,556
Sources from operations before extraordinary item	608,384	900,161
Extraordinary item, net of related income taxes of \$21,500 (Note F)	15,609	—
Total from operations	623,993	900,161
Disposition of fixed assets (Note F)	104,103	—
Proceeds from cash surrender value of officers' life insurance	—	22,703
Collection of noncurrent receivable	—	8,063
Total sources of working capital	728,096	930,927
Applications of working capital		
Acquisition of fixed assets, net	311,092	653,540
Reduction of long-term debt	360,740	45,039
Cash distributions in lieu of fractional shares on stock dividends	—	3,968
Sundry applications (sources), net	5,530	(8,533)
Total applications of working capital	677,362	694,014
NET INCREASE IN WORKING CAPITAL	\$ 50,734	\$ 236,913
Changes in components of working capital		
Increase (decrease) in current assets		
Cash	\$ (141,828)	\$ (1,037,495)
Notes and accounts receivable	(156,505)	683,972
Inventories	(217,576)	747,548
Prepaid expense	3,163	12,298
Refundable taxes on income	206,552	—
Total current assets	(306,194)	406,323
(Increase) decrease in current liabilities		
Notes payable to bank—unsecured	75,000	(25,000)
Notes payable—other	163,500	(163,500)
Current maturities—long-term debt	(47,007)	(54,893)
Accounts payable	(6,121)	151,764
Salaries, wages, commissions, taxes and sundry accruals	62,179	(61,312)
Federal and state taxes on income	109,377	(16,469)
Total current liabilities	356,928	(169,410)
NET INCREASE IN WORKING CAPITAL	\$ 50,734	\$ 236,913

(a) Restated for comparative purposes (Note F).

The accompanying notes are an integral part of these statements.

THE BETHLEHEM CORPORATION
NOTES TO FINANCIAL STATEMENTS
 December 31, 1971 and 1970

NOTE A—DEPRECIATION

Depreciation expense has been charged to operations for the years ended December 31, 1971 and 1970 in amounts of \$386,541 and \$343,841, respectively, computed on the straight-line method. Deferred Federal income taxes arise from the differences in determining depreciation expense for tax and financial reporting purposes.

NOTE B—LONG-TERM DEBT

Long-term debt at December 31, 1971 and 1970 consists of:

	1971	1970
Notes payable to bank in quarterly installments of \$62,500 plus interest; final installment of \$1,312,500 due on May 1, 1974 — unsecured	\$1,875,000	\$2,125,000
10% rental obligations under lease agreements, payable in monthly installments of \$6,211, including interest; final installment due October 24, 1979	406,514	438,632
9½%-10½% equipment note obligations, payable in monthly installments of \$12,180, including interest; final installment due September 2, 1976	399,588	497,870
5½% equipment note obligation payable in annual installments of \$33,333 plus interest; final installment due February 1, 1973	66,667	—
	<u>2,747,769</u>	<u>3,061,502</u>
Less current maturities	427,405	380,398
	<u>\$2,320,364</u>	<u>\$2,681,104</u>

The term loan agreement covering the notes payable to bank provides for interest at 1% over the bank's prime rate.

The term loan agreement contains certain restrictions and covenants, including the maintenance of certain levels of working capital and net worth, and certain other limitations covering additions to fixed assets and future borrowings.

NOTE C—PENSION PLANS

The company has noncontributory funded and unfunded retirement plans in effect covering substantially all of its em-

ployees. The total pension expense for the years ended December 31, 1971 and 1970 was approximately \$106,000 and \$90,000, respectively, which includes amortization of prior service costs over periods of 25 to 30 years.

NOTE D—QUALIFIED STOCK OPTION PLAN

In 1971, the company established a Qualified Stock Option Plan under which a maximum of 25,000 shares of common stock were reserved for the issuance of stock options to officers and key employees. As at December 31, 1971, no stock options had been granted under this plan. In addition, a Restricted Stock Bonus Plan which was established in 1969 was terminated. No options were granted under the terminated plan.

NOTE E—EARNINGS PER SHARE

Earnings per share were computed on the average number of shares outstanding during 1971 and 1970.

NOTE F—SALE OF MODERN COLLET & MACHINE DIVISION

On November 30, 1971, the company sold the business and certain assets of its Collet division for \$360,000. In addition, the company may receive shares of stock of the purchasing company based upon future earnings of this division. Also, the company received an option to purchase shares of stock of the purchasing company, none of which have been exercised. No value has been assigned to these options or potential receipt of stock.

Effective February 29, 1972, the company disposed of other assets and business of the Modern Collet & Machine Division for \$36,500 to a former vice president of the company.

Since the business of the Modern Collet & Machine Division has been sold and disposed of as of March 1, 1972, the entire operations have been reflected as discontinued operations in the accompanying financial statements and the 1970 statement of earnings has been restated for comparative purposes. As at March 1, 1972, there were remaining undisposed assets of approximately \$100,000.

NOTE G—INVESTMENT CREDIT

The Company accounts for the investment credit under the flow-through method. Under this method, the credit affects net earnings in the year in which it reduces federal income taxes payable.

AUDITORS' REPORT ALEXANDER GRANT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
 1185 AVENUE OF THE AMERICAS
 NEW YORK, NEW YORK 10036

Board of Directors
 The Bethlehem Corporation

We have examined the balance sheets of The Bethlehem Corporation (a Pennsylvania corporation) as of December 31, 1971, and the related statements of earnings, retained earnings and additional paid-in capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the financial statements referred to above present fairly the financial position of The Bethlehem Corporation at December 31, 1971, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, New York

February 24, 1972, except as to Note F as to which the date is February 29, 1972

Alexander Grant & Company

DIRECTORS

John F. Bacon
O. Karl Dieckmann
Morris L. Forer
Roger C. Hubbard
Paul C. Kimball
Mendel Lurie
James I. McClintock
Wesley J. Peoples

OFFICERS

James I. McClintock
Chairman of the Board
Wesley J. Peoples
Co-Chairman, President and Chief Executive Officer
B. Ord Houston
Vice President-Finance and Treasurer
Arthur W. Smith
Vice President-Sales and Engineering
H. J. Rosebery
Vice President-Manufacturing
O. Karl Dieckmann
Secretary

GENERAL COUNSEL

McClintock, Fulton, Donovan & Waterman
Detroit, Mich.

PENNSYLVANIA COUNSEL

Wolf, Block, Schorr & Solis-Cohen
Philadelphia, Pa.

CERTIFIED PUBLIC ACCOUNTANTS

Alexander Grant & Company
New York, New York

TRANSFER AGENT AND REGISTRAR

Registrar and Transfer Company
Jersey City, N. J.

STOCK LISTED

American Stock Exchange
Detroit Stock Exchange

ANNUAL MEETING

The Annual Meeting of shareholders
will be held at the Bethlehem Hotel,
Bethlehem Pa., on April 24, 1972
at 11 A.M.



THE BETHLEHEM CORPORATION *Established 1856*
225 W. Second Street, Bethlehem, Pennsylvania 18016 Phone: 215-867-4605

PLANT LOCATIONS:

Bethlehem, Pennsylvania Easton, Pennsylvania Detroit, Michigan